

CITY OF MILPITAS  
CITY COUNCIL (FINANCE) SUBCOMMITTEE  
Wednesday, February 1, 2006, 4:00 p.m.  
455 E. Calaveras Blvd.

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I. CALL TO ORDER - Vice Mayor Gomez called the meeting to order at 4:10 pm

Attendance:

City Council: Vice-Mayor Armando Gomez, Council Member Debbie Giordano  
Staff: Emma Karlen, Jane Corpus, Clare Frank, Tom Williams, Diana Whitecar,  
Greg Armendariz, Terry Medina

II. CITIZENS FORUM - No Comments

III. APPROVAL of MINUTES: The December 7, 2005 minutes were reviewed and approved.

IV. ITEMS FOR DISCUSSION

A. Funding for Main Sewage Pump Station Replacement

**Greg Armendariz, City Engineer** – Greg presented a staff report to Council on the sewage pump station replacement project. The city's main sewage pump station is located N. of McCarthy Ranch and pumps all our sewage to the SJ/SC Water Pollution Control Plant. The station was constructed in 1965 and was originally a sewage treatment plant. In time it was not possible to expand for additional treatment, and it became more cost effective to use it just as a pump station. So in 1975 it was converted to pump out to San Jose for treatment. The pump station has a life expectancy of about 40 – 50 years.

Some deficiencies with the current sewage pump station are: the equipment and infrastructure have come of age. The pumping capacity will not accommodate the additional Midtown growth beyond the currently approved general plan and the future BART station and transit area growth will have significant impact. The station is vulnerable to seismic damage and failure could occur during a natural disaster. Retrofit cost would be significant (about 1/2 of the replacement cost).

Funding options: Defer some CIP projects currently planned for 3-5 years; defer water pollution control plant capacity purchase; bonding secured for by the sewer revenue. Bonding is the best option since there is a secured funding source and it does not impact the general fund. The sewer replacement project is currently in the design phase. An estimated replacement cost is \$13 Million.

## B. Mid-Year Financial Status

**Emma Karlen, Finance Director** – As reported by the Bureau of Labor Statistics, there has been an increase in employment in this area compared to a year ago. Based on cash receipts for the last four quarters, Milpitas has had a 5% increase in sales tax revenue. There are five major business segments that generate sales tax revenue. Of the five, electronic equipment and office equipment took the biggest downturn in sales back in 2002 / 2003. Since 2002, the restaurant segment has been the highest generator of sales revenue.

ABAG came out with an economic outlook and they project short term growth will be moderate and slow, which is a more normal growth pattern and inflation will not grow rapidly. Some potential risks – interest rate increase will hurt residential developers' profits and homeowners have less capacity to tap into their home equity. There are also signs the housing market is slowing down.

General Fund Revenue – We used a trend analysis to revise our projection to compare it with the budget. Property tax area is projected to exceed budget by 3% (\$360,000). In sales tax we may not be able to meet our goal because the projection last year included operation of car dealerships that have been postponed, revising sales tax down by 1% (\$160,000). Hotel tax is on target. Building and Fire permits increased due to Midtown and other commercial activities. However, part of the revenue goes to cover dedicated inspector salaries. Charges for service showed a 15% increase due to private job development reimbursement for staff and consultant time.

Miscellaneous/other revenue increase of 25% is due to two one-time transactions: reimbursement of motor vehicle fees the state borrowed of \$1.1 million and the sale of former city manager's home.

Expenditure: We are at a 49.4% level of spending, 5% saving was deducted at the beginning of the fiscal year. It is not anticipated that there will be more savings by the end of the year. The budget was balanced this year through: reduced funding of each department at a 95% level (\$3.3 million); savings through attrition as employees retire (\$700,000); and a one-time transfer of \$6.1 million from the Redevelopment Agency (RDA) for the sale of city properties to the RDA. Based on revised revenue projection, the amount of transfer needed to balance the budget will be in the range of \$3 million to \$3.5 million.

## C. Economic Development Report and Implementation

**Diana Whitecar, Economic Development Manager** – Presented an overview of the proposed Economic Development Action Plan. The program extends over a 5-year period with the following goals:

### **Summary of Goals:**

- 1) **Improve Milpitas' Image** – \$20,000 CIP was approved in the current FY budget for one sign. Recommendation would be to fund \$30,000 for one additional sign in FY 06-07. The budget is higher to more personalize the sign with the nomenclature of

the community. We need to develop the City's image and spending large amount of money on identifier signs won't bring the results we want. Having signs at the airport for travelers may have a greater effect. Participation in some collaborative trade shows can be a better marketing tool. Also, we need to have a stronger economic development website for business to help them evaluate whether they want to come to Milpitas.

Public comment: Our City's image is a major problem. Travel agents do not identify Milpitas as a place to stay. We need to develop a way for people to understand Milpitas is a travel destination and a place of development.

- 2) **Improve Retail Spending Opportunities** – It is recommended that the City take the lead in funding the Precise Plan in order for the Midtown development to occur sooner than later. This would be a better use of funds than a branding strategy. The Midtown Plan development would require property owners to fund the Precise Plan before they can move forward with their development. There are things we can do to help promote the City as a place to shop and educate people on the value of shopping locally.

To get a sense of where we are losing retail dollars, it would be good to do some sort of survey to know where people shop and what they are looking for. Other sources of information could be through homeowners' associations, chamber of commerce, focus group discussions, rotary groups. Look at neighborhood commercial planning and what it does to City image. Examine how can areas be better utilized if they are under performing areas.

- 3) **Balance Housing Supply and Demand** – Improve the balance of housing supply and demand by addressing the entire City needs, evaluate zoning policies and support affordable housing.
- 4) **Business Retention and Recruitment** – The City is losing revenue-generating properties, as these properties are vulnerable to land use conversion. We need to consider the long-term use of these areas.
- 5) **Improve Resident Employability** – Work more closely with NOVA, the North Valley Private Industry Council and Small Business Development Center that want to have more training programs here in Milpitas. "Doing Business in Milpitas" seminar is scheduled for February 28, 2006.
- 6) **Diversify Milpitas' Economic Base** – We will work with commercial brokers and property owners to market Milpitas awareness. Build up our professional business community through targeting marketing.
- 7) **Develop Economic Strategy Performance Measurements** – Develop baseline data for measurable activities to review with Council. Identify the specific goals and time frame to develop the plan.

- 8) **Provide Administrative Services to the Redevelopment Agency** – The California Redevelopment Association is the group the City works with; and the City has participated in Joint Venture for numerous years to further economic development. Recent legislation has been introduced that will modify redevelopment substantially. The Building Department would like to hold a Do It Yourself faire to inform the public on what is needed for permitting. It would be beneficial if each year we host a chamber mixer at City Hall so the public can get to know Milpitas.

V. OTHER BUSINESS

None

VI. NEXT MEETING – Wednesday, April 5, 2006 at 4:00 pm

VII. ADJOURNMENT